



**MINUTES  
CITY COUNCIL WORK SESSION  
May 5, 2020**

**CALL TO ORDER**

The meeting was called to order at 5:30 pm.

**Present:** Mayor: Charlie Miner (telephonic); Council: Deirdre Kvale (telephonic), Michelle Jerde (telephonic), Jahn Dyvik (telephonic), and Tom Skjaret (telephonic)

**Staff Present:** City Administrator: Scott Weske (in person)

**Absent:** None

**PLEDGE OF ALLEGIANCE**

**APPROVE AGENDA**

*A motion was made by Skjaret, seconded by Jerde, to approve the agenda as presented. Ayes: all by roll call.*

**OPEN CORRESPONDENCE**

There were no comments received during Open Correspondence.

**BUSINESS ITEMS**

**Discussion of Sewer Charge Policy**

City Administrator Weske noted that this item is also on the regular Council agenda, but he wanted to give the Council an opportunity to more thoroughly discuss the shortfalls in operation costs as well as the increasing shortfall in capturing Metropolitan Council fees. He gave an overview of the change in verbiage that staff is recommending to City Code regarding sewer charges, which would result in charging all customers based on their actual usage each quarter rather than locking all residential users in at the first quarter usage amount. He noted that this is not a sewer rate change, but a proposed change in the sewer charge policy. At this time, commercial customers do pay sewer charges based on actual usage; however, residential customers do not.

Council member Kvale asked for clarification of some of the numbers in the table included in the staff report such as how much the City received in revenue and how much it costs to provide City sewer services including Metropolitan Council fees.

City Administrator Weske reviewed the budget information and noted that the actual revenue received was around \$308,000. He reviewed operations costs including the Metropolitan Council fees and explained how percentages of salaries are factored in.

Council member Kvale asked if the City could allocate some of the fixed costs to the enterprise funds that are profitable.

City Administrator Weske stated that it is possible, but it is not recommended. He noted that something mentioned in the last audit was that the proprietary funds are supposed to support themselves.

Council member Kvale expressed concerns about raising rates when most government entities are looking for ways to help people. She stated that fluctuating costs based on usage make it harder for people to budget for their expenses.

City Administrator Weske gave an example of a snowbird that is not around and uses no water the first three months of the year, but then comes home in the summer and fills up their swimming pool. He stated that with the current system, that person would pay for their usage of the water during the year, but pay nothing for the sewer other than their \$30 base rate.

Council member Kvale asked how many low users there are in the City that are not here during the winter months.

City Administrator Weske stated that there are quite a few and noted that it would be anyone who uses less than 9,000 gallons as a single individual, per quarter. He reviewed some of the line items included in the budget for televising and additional staff members.

Council member Kvale asked if Public Works Director Diercks would be updating the Council on the results of the televising.

City Administrator Weske stated that there is quite a bit of footage to analyze, but he is aware that what Diercks has observed so far does not offer good news.

Council member Kvale reiterated that it appears as though the City is covering its Metropolitan Council costs but not the fixed costs.

City Administrator Weske agreed and noted that this is why they are suggesting a policy change and ultimately rate increases in future.

Council member Jerde stated that she believes the City needs to have a rate increase, but is unsure about the timing.

City Administrator Weske noted that the City will have to make bond payments and have to have a way to pay for street improvements.

Council member Jerde reiterated that she supports a rate increase, but is not sure if it should be done right now.

City Administrator Weske stated that the City's property tax settlements from the County will be delayed and decreased, and the State has authorized people to not have to pay their utility bills until six months after the Governor declares the State is no longer in a State of Emergency. He noted that the City also cannot charge late fees or shut off services. He commented that the only way the City will get paid by people who choose not to pay their utility bills is by assessing their property taxes, which won't be until 2021 or 2022 depending on how long the pandemic lasts.

Council member Kvale asked if the City had checked into any of the programs that she has heard are available to help cities who are struggling.

City Administrator Weske noted that the only thing available right now is the ability to be reimbursed by FEMA for all COVID-19 related expenses. He expressed his concerns for the City finances and noted that the Council had just voted to move forward with a feasibility study for a \$3 million dollar street project.

Council member Kvale stated that she just thinks this is bad timing.

Council member Skjaret stated that he believes that the City can either pay for this by increasing the tax levy or by distributing the costs in a more fair and usage-based system.

Mayor Minor asked if there is a comparison for other cities in the area with how they are handling this type of thing.

City Administrator Weske stated that he has not asked them, but noted that Orono raised rates by \$200/quarter without question based on their City's needs.

Council member Dyvik clarified that with this recommended language change, residents will pay as much sewer as they will water. He stated that he thinks this is fair and doesn't know who would complain.

The Council discussed upcoming financial changes due to the COVID-19 pandemic.

Council member Dyvik stated that the City has some money in the bank that can be used in an emergency to help cover delayed payments. He noted the \$123,000 shortfall in 2019 had to come out of the sewer fund balance.

City Administrator Weske explained that after that budget shortfall is taken out it is projected that there will be \$30,000 left in that fund. He explained how the Metropolitan Council calculates their fees.

Council member Dyvik stated that he thinks the recommendation from staff is a small step to help this situation and does not increase the rates.

The Council discussed usage and contributions to I&I and ways to pay the bills.

Council member Kvale reiterated that she does not think this is the time for a rate increase because people are struggling and out of work. She asked if there was a way to cut any of the City's expenses.

City Administrator Weske explained that there have been 12 watermain breaks this year and outlined some of the expenses that go along with those repairs.

Public Works Director Diercks stated that he feels the City runs a pretty tight ship and doesn't think the expenses can be cut very much. He stated that if the City decides to move forward with some of the street projects that have been discussed, the City will need to figure out ways to raise revenue. He stated that he thinks it is premature to adjust the City's plans for two or three years down the road only based on the last six or seven weeks and what has been happening with the pandemic. He reviewed some of the preliminary findings from the televising that confirmed that there are some problems.

The Council discussed I&I rates in 2020 compared to 2019 and how they may change based on leaks, ground water and precipitation. The Council discussed when the best time would be to implement this possible change. They discussed encouraging people that have swimming pools and irrigation systems to get a separate water meter but noted that then they will not be charged for sewer fees.

City Administrator Weske noted that one of the things that is hard to quantify is the changing usage if the rates are raised. He gave examples of rates being raised but people changing their habits, so they use less water.

Mayor Miner asked if any of the consultants, such as AEM, have commented on this topic.

City Administrator Weske stated that the City has conducted two rate studies and both times, the consultants' recommended changes have been voted down by the Council.

Council member Dyvik stated that he thinks some of the changes were voted down because the Council wanted there to be a more fair, usage-based system in place.

Mayor Miner noted that this item will be discussed at the regular Council meeting.

**OTHER BUSINESS**

None.

**ADJOURN**

*Mayor Miner adjourned the meeting by general consent at 6:26 pm.*

Respectfully submitted,

Scott Weske  
City Administrator